



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: OCT 03 2002

Person to Contact
Identification Number: 11-11007
Contact Telephone Number:

Dear Sir or Madam:

Your organization received exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code in

A review of your records disclosed that you own and operate a 9-hole golf course and clubhouse. The clubhouse has a bar, kitchen, dining area, shower rooms and storage room. In addition, there are 100 sheds for cart storage. Your activities includes the following:

- 1) Golf tournaments during the year in which both members and nonmembers participate. During the golf tournaments or whenever the golf course is used, food, beer and liquor are sold at the clubhouse. Whenever there are no golf tournaments, the clubhouse is available for rental to the general public to conduct wedding receptions, parties, etc. In the winter months, the kitchen is open on Friday nights to the general public.
- 2) During the year you purchase advertisement in the local paper and the area advertiser inviting the general public to play golf at your course. In addition, you posted flyers with coupons advertising your activities. Your club is listed in the yellow pages under public golf courses.

Your dues paying members have the right to vote, raise issues and voice their opinion on how the course should be run, receives unlimited rounds of golf, rental of shed for their cart for a fee, etc.

For the years ended _____ and _____ nonmember use of your facilities and services were 29 percent and 25 percent respectively.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of club organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1 of the Income Tax Regulations provides that, in general, the exemption extends to social and recreation clubs supported solely by membership fees, dues, and assessments. However, a club which engages in business, such as making its social and

recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a).

Revenue Procedure 71-17, as amended by Public Law 94-568, provides certain gross receipts safe harbor; i.e. Social Clubs may receive up to 35% of their total gross receipts, including investment income, from sources outside of their membership without jeopardizing their tax exempt status. Within this 35% limit, no more than 15% of a club's gross receipts may be derived from nonmember use of the club's facilities and/or services. If these standards are exceeded, a Social Club will not qualify for exemption pursuant to IRC 501(c)(7).

Based on your activities and financial records, you do not qualify for exemption from Federal income tax under section 501(c)(7) of the Code since: 1) You are engaged in business with the general public by regularly holding your golf course and clubhouse open to the public for use upon payment of established fees. These fees are over the 15% limit as provided in Revenue Procedure 71-17, as amended by Public Law 94-568; and 2) The income from this source is inuring to the benefit of your members because it is used for the maintenance and improvement of club facilities.

Accordingly, your exemption under section 501(c)(7) of the Internal Revenue Code is revoked effective

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginnin.

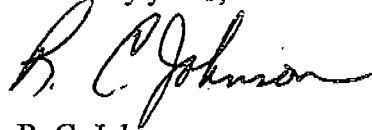
This is a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling or writing to: Internal Revenue Service,

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. C. Johnson".

R. C. Johnson.

Director, EO Examinations